

MR. HEARST INTERVIEWED ON BONUS, SALES TAX, LABOR, AND WAR

Cornelius Vanderbilt, Jr., Asks Publisher Seven Questions Affecting Policies of America on Vital Problems.

(Continued from First Page.)

tude taken by business men toward any individual debtor.

The obligation of the individual debtor is to pay his debts or go into bankruptcy and ignominiously repudiate them. The obligation of the individual debtor, even if he goes into bankruptcy, is to pay as much of his debts as he can—to pay 100 cents on the dollar, or 75 cents on the dollar, or 50 cents on the dollar—according to his assets and ability to pay.

England is not going into bankruptcy—so let her pay her honest debts dollar for dollar, especially as the money that was loaned her by the United States and the aid that was given her by the United States meant the preservation of her very existence, not only as an empire, but as a nation.

She cannot repudiate the debt without sounding the abyss of dishonor—and she will not repudiate it.

We Should Collect

It remains merely for us then to collect what is due us in a proper business manner.

France is in the same condition. She can pay her debts and she should pay them.

And furthermore she would be just as able to pay them as England if she would keep out of extravagant military expenses, out of buccaneering expeditions and out of reckless financing of the military establishments of Poland and other nations in her campaign of imperialism.

We fought and we spent our money to make the world safe for democracy. It is no part of our business, no part of our principles, to finance the imperialistic junkets of foreign nations, either by giving them money for that purpose or lending them money for that purpose.

Let us keep free from foreign entanglements, both political and financial, and let us collect the debts that are due us as soon as possible, in order to be wholly free as soon as possible from these European complications.

The Sales Tax

3. The most important piece of legislation now pending before the American Congress, to my mind, is the Sales Tax.

I say this because I think that a sound system of taxation is the crying need of the country at this time.

We departed from the precepts of Washington, we abandoned our policy of freedom from foreign entanglements, we became involved in the intricacies of European conflicts and politics, and we are paying the penalty in a heavy burden of debt and taxation.

Taxation is an absolute brake upon industrial and commercial development—it is a ball and chain on the foot of financial progress.

The only thing that saves our country is that we are no worse off than other countries which are our competitors.

An Enormous Burden

Nevertheless, we have an enormous burden of taxation, a tremendous debt which we must gradually discharge.

And the soundest and most practical way of raising the taxes and eventually discharging the debt with the least possible injury to industry is perhaps the most vital problem that confronts our people at present.

The Sales Tax is unquestionably the best method of

taxation for a number of reasons.

First, because you pay what taxes you please, limiting your taxation to your purchases.

Pay As You Go

Second, because you pay your taxes on the installment plan. It is a pay-as-you-go proposition and you will not be met at the end of the fiscal year with a pile-driver blow of taxation which, because of some change in your business condition or in business conditions generally, may be very difficult to sustain.

Third, because it is not an experiment. It is in successful operation in our neighboring country of Canada, where it is known as the painless tax and where it is gradually tending to take the place of all other taxation because of public satisfaction with it.

The opposition to the Sales Tax is chiefly the opposition of ignorance. I can say this properly because I was opposed to it myself when I first read Otto Kahn's brochure on the subject. I jumped to the conclusion because Mr. Kahn was a big banker and I thought his advocacy of the Sales Tax was in the interest of big bankers or the big financiers.

Advocate Sales Tax

I wrote several editorials in my papers opposing the Sales Tax, but in the preparation of those editorials I was compelled to study the question carefully, and I found that I was on the wrong side of the issue—I was not advocating what was best for the public, as I had at first thought I was; I was opposing what was for the true interests of the people simply because I had misjudged the motive of a big financier.

Therefore, to do myself and my clientele justice, I gave my readers the honest benefit of my researches on this subject and became a strong advocate of the Sales Tax.

I noticed, too, that a similar thing occurred when I sent a train of distinguished Congressmen to Canada to study the Sales Tax. Most of them went there prejudiced against it, and most of them came back powerful advocates of the tax. Their study of the subject on the ground, where they could see it in practical operation, convinced them in its favor.

I am quite confident that if most of the people who are opposed to the Sales Tax would study the subject as I had to do when I was writing my articles and as these Congressmen did when they went to Canada, they would become advocates of the tax just as we did.

Paid By the Consumer

The public generally must realize a fundamental truth of taxation, and that is that every tax, no matter where it is laid, is in the last analysis paid by the consumer.

Just as Labor is worthy of its hire, so Capital is worthy of its hire; and just as Labor will not work for a wage less than will enable it to maintain an established standard of living, so Capital will not work for less than the percentage of profits established by law and custom as adequate and proper.

There is more or less risk in all investment of capital and that risk will not be taken unless there is a proper percentage of profit promised, to bring money out of the vault and into investment.

Let us say that that profit is 6 per cent; then



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the investing public, small investors or large investors, must look forward to a 6 per cent profit after all expenses of production have been paid.

Taxation is just as much an expense of production as the cost of material or the cost of labor or anything that enters into the final figure of cost.

And the price of the article is the price of the cost of material, the cost of labor, etc., plus the cost of taxation, plus 6 per cent profit.

The purchaser of the article pays all these costs, including the cost of taxation. This must be clear to everyone who will think about the subject for one lucid moment.

If taxation came out of profit, there would be no profit, and consequently there would be no investment.

Controlling the Tax

Since, therefore, the consumer pays all taxes along with all other costs, how much better 'it is for him to have in his own hands the power to regulate by his purchases what that tax shall be.

If it is desired—and it certainly is desirable—to lift taxation from those least able to pay it, then the Sales Tax need not be placed upon the necessities of life, and consequently will not fall upon those who buy only the necessities.

This modification of the Sales Tax is the only way that I know, after a most careful study of the subject, in which the burden of taxation can be kept off the backs of those least able to bear it.

The Sales Tax is essentially, with this modification, the tax most beneficial to the family of modest means; first, because it relieves them of the burden of taxation on necessities, and second, because it is least hampering to the development of industry—and the development of industry means employment and general prosperity.

The Soldiers' Bonus

4. I certainly approve of the Soldiers' Bonus. It is a moral obligation which it would be shameful to avoid.

My reasons for approving it are:

FIRST. The Republican party, which controls the present Congress, declared in its national platform in favor of the Soldier Bonus and went before the country with that as one of its main issues.

If the elected Congress fails to carry out its formal platform pledge, the Senators and Representatives will be in the contemptible

position of having professed a patriotic sentiment which they did not fulfill in order to secure votes and then having repudiated their pledges upon which they had been elected.

Established Principle

SECOND. Because it is the established principle of this country to give soldiers bonuses.

After the Civil War bonuses were given to the soldiers, and even some of the Congressional opponents of the bonus, like Senator Knute Nelson of Minnesota and Senator Francis E. Warren of Wyoming received their bonuses after the Civil War without protest.

Even so distinguished a soldier and patriot as General George Washington received a large bonus of public lands for his services during the Revolutionary War, and did not hesitate to accept it.

Allies Have Paid.

THIRD. Because England and France and most of the allies engaged in the great war have paid their soldiers bonuses, and have paid these bonuses out of OUR money.

And there seems to be no good reason why we should not use some of our money to pay our own soldiers a bonus instead of providing it so liberally to other nations to pay THEIR soldiers bonuses.

FOURTH. Because the average wage before the war was at least five dollars a day. But during the war the soldiers who went abroad and fought in the trenches received only one dollar a day, while the workers who stayed at home and worked in the factories under high war wages received approximately ten dollars a day.

The men who did the fighting got one-fifth the average wage, while the men who did not do the fighting got twice the average wage.

It is but poor and inadequate compensation to give those men who fought so bravely, who ran so much risk and endured so much hardship and privation, a very small part of what they were deprived of during the war which they won.

People Demand It

FIFTH. Because the will of the people of the United States should be the guiding principle in legislation, and in nearly every State where the question of a Soldier Bonus has come before the people in a referendum, the people have voted by large majorities in favor of the Soldier Bonus.

SIXTH. Because the

classes who are opposed to the Soldier Bonus are largely the big business interests and the privileged financial and social classes, who are afraid that they will have to pay taxes for the Soldier Bonus.

Those big financial leaders and social leaders are the people who wanted the war and clamored for the war and finally succeeded in projecting the United States into the war, largely on account of their sympathies with foreign countries with which they had connections.

Now they have had their war and they do not want to pay for it. They profited during the war and made millions and hundreds of millions of dollars, but they do not want to give up any part of their profiteering to the men who went abroad and lived in the trenches and sacrificed their health, their youth, their opportunities, in order to uphold the honor of their country and win the war that these profiteers and patrioteers were so deeply interested in, sentimentally and financially.

The Hearst Papers

The position of the Hearst papers has been simple and straightforward from first to last with regard to the war and the soldiers that won it.

In the first place, we did not believe that this European war was necessarily our American war and we endeavored to keep America out of the war as long as in honor it could keep out of it, realizing what war meant in blood and treasure, in the sacrifice of our splendid American manhood, and in the terrible national burden of war expenditure and subsequent taxation.

In the second place, when the country was once committed to the war, the attitude of the Hearst newspapers was to prosecute the war to the utmost with every resource of men and money in order to bring it to a victorious conclusion as speedily as possible and to get back to normal conditions and to freedom from entangling alliances at the earliest possible moment.

In the third place, the attitude of the Hearst papers now is that—in common honor and common decency and common gratitude and common foresight for the future—we should do justice as a people and as a nation to the men who won the war and sacrificed so much of the joy of life and the opportunity of youth in order, through their splendid courage and patriotism, to uphold the good name of their country and increase its greatness and glory throughout the earth.

Unworthy Americans

The man who can hesitate to give a small part of his store for so noble and essential a civic purpose is unworthy of the benefits of American citizenship and civilization.

Let me say that in my opinion President Harding's plan of combining the Soldiers' Bonus with the Sales Tax is the best thing he has advocated in his whole administration and the thing which would do most to redeem the Republican Congress if it had the intelligence to pass the measure.

Surely, the Republican Congress, House and Senate, must realize from the late primaries and other evidences of political sentiment how unpopular they are throughout the country and how greatly the people are dissatisfied with their action or lack of action up to date.

They should certainly look to the President to bring them out of their slough of despond, and this Sales Tax and Soldiers' Bonus idea of the President's is the one opportunity that the Republican Congress has to redeem itself before election, the only



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chance that Congress has to continue Republican.

Perhaps, as a Democrat, I ought not to be giving advice to the Republican Congress, but I like to be first of all a good American.

Progressive Trend

5. The recent Republican primary selections show a strong Progressive trend, a trend even stronger than most Progressives had hoped.

Nevertheless, I had always firmly believed that the reactionary trend of the country after the war was entirely temporary and due wholly to a certain very proper caution on the part of our sound-thinking people lest our country be drawn into the extremes of radicalism that were evident in some European countries.

I felt, however, that the progressive trend of politics would soon come about again, for there must always be progress in politics, just as there is progress in mechanics, economics or any other field of human endeavor.

I remember in that reactionary period sitting in my library that overlooks the Hudson and talking with a very despondent lot of Progressives who thought that reaction had come to stay, that autocracy was firmly established in America, and that democracy was headed for destruction.

I looked out upon the Hudson and the tide was coming in, forcing the waters of the river back so that they seemed to be flowing up toward its source.

Ebb and Flow

I said to my Progressive friends:

"Look out at that great river. Sometimes the water is flowing downward toward its mouth; sometimes it seems to be flowing backward toward the source. But at the end of every day, in spite of this variation, the full flow of water has progressed and reached the sea."

"So it is with human affairs. Progress always prevails. Sometimes circumstances which correspond to the tides create a temporary reaction. But at the end of a given period a definite amount of progress will have been made."

The Progressive political movement throughout the country today is simply the reaction from reaction.

It is the current of progress temporarily stopped by post-war conditions and now resuming its full flow, and resuming it with such strength that at the end of a certain period there will be as much political progress made as if the period

of reaction had never occurred.

American Labor

6. The attitude of American labor should be, first, patriotically for what is the best interest of the country; second, wisely for what is its own best interest.

But it should always take the trouble to learn what actually is for its own best interest. I think labor should concentrate its demands more on good wages, reasonable hours and proper working conditions and less upon shop rules which hamper business, limit production and unduly influence and irritate employers.

Unreasonable shop rules have done more to injure labor and prevent it from getting the good wages, good hours and working conditions that it really should have than all the conspiracies among employers that have ever existed or even been alleged to exist.

Labor stands in its own light when it limits production, because production is the creation of wealth. Wages and profit are the division of wealth.

Division of Wealth

Wealth cannot be divided until it is created, and it can only be divided in proportion to the amount created. The less wealth there is created the less there will be to be divided, not only in profits but in wages.

Any working man who limits production cuts wages. That is something for the employee to remember.

On the other hand, the employer should remember that his prosperity depends upon the general prosperity; and the general prosperity depends upon the purchasing power of the mass of the people.

The mass of the people are wage earners. Lower wages mean less purchasing power—higher wages mean more purchasing power, more prosperity.

Purchasing Power

Every shopkeeper knows that his sales depend mainly upon the ability of his patrons to buy. In hard times his sales are low—in flush times his sales are high. All depends upon the purchasing power of his patrons.

Shopkeepers are merely the distributing agents for the factory. The factories are merely the users of the raw materials supplied by the farms and the mines.

What affects the shops affects secondly the factories and then the producers of

raw materials for the factories.

When wages are cut 10 per cent the purchasing power of the main element of a shop's patrons is cut 10 per cent. Sales to those patrons are cut 10 per cent. Orders to the factory for those patrons are cut 10 per cent. The use of raw materials by the factory is cut 10 per cent. As near as these matters can be expressed, prosperity is cut 10 per cent.

An increase in wages means an increase in purchasing power—an increase in purchase, an increase in orders for the factories, an increase in consumption of raw materials—an increase in general sale and production, which is an increase in prosperity.

Do Not Cut Wages

I say to employers: Do not cut your wages. When you do, you are throwing a boomerang that will come back and strike you. When you cut wages you are cutting prosperity. When you cut prosperity you are cutting your own profits.

And I say to working men: Do not make shop rules which interfere with production, because when you cut production you cut the creation of wealth and you cut the distribution of wealth in wages.

Capital and Labor should work together not for sentimental reasons, but for practical reasons, in order to secure, first, the greatest creation of wealth; second, the most just distribution of wealth in wages and profits and so the greatest prosperity for the nation and for themselves.

Trend of the World

7. I feel about the trend of the world very much as I expressed myself about the trend of our national politics above.

The world seems to be in rather bad state as a result of the war, but I have no doubt that progress is fermenting in this chaotic mass and that eventually when the world emerges from this disorder and depression we will find that the world has progressed much beyond where it was before the war.

I believe that civilization is advancing, but like the Hudson river sometimes it seems to be receding.

I believe that we will approach a period of genuine civilization which will be free from war, and I believe that no other condition is really civilization.

There were two conditions which were essential indications of barbarism. One was slavery—that fortunately has been abolished.

War may be said to be our barometer of barbarism—the more war the more barbarism, the less war the greater civilization.

Not only sentimental influence but material influences are tending to abolish war.

Business of War

War was formerly a profitable enterprise. A few generations ago it was engaged in as a business, as a profitable business, as an easy and direct road to wealth.

The peaceful peasant accumulated his store. The professional warrior plundered him.

War was legalized murder and it was also authorized theft.

The age of war is virtually ended. This is an age of business, and war is bad business.

Let us have peace, not merely as a sentiment but as a business creed, and because we want the prosperity, the content, the international comity that come with peace and civilization.

William Randolph Hearst